FitchRatings

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Fitch Upgrades UniCredit to 'A-'; Outlook Stable

Fitch Ratings - Paris - 25 Sep 2025: Fitch Ratings has upgraded UniCredit S.p.A.'s Long-Term Issuer Default Rating (IDR) to 'A-' from 'BBB+' and Viability Rating (VR) to 'a-' from 'bbb+'. The Rating Outlook on the Long-Term IDR is Stable. UniCredit's debt instruments have been upgraded by one notch, mirroring the upgrades of the Long-Term IDR and VR. A full list of rating actions is detailed below.

The upgrades mirror the recent upgrade to 'BBB+' from 'BBB' of Italy's Long-Term IDR (please see "Fitch Upgrades Italy to 'BBB+'; Outlook Stable" available at www.fitchratings.com) as UniCredit's Long-Term IDR is capped at one notch above that of Italy. The action also follows the upward revision of the Italian operating environment (OE) score to 'bbb+' from 'bbb', reflecting the sovereign upgrade and our assessment of improved business opportunities and reduced risks in the Italian banking system over the long term. This will benefit UniCredit's credit profile due to its leading domestic franchise, sound risk profile, strong profitability and adequate asset quality.

UniCredit's Long-Term IDR is rated one notch above Italy due to its exceptional strength relative to its domestic peers. This is supported by successful geographic diversification in strongly performing or growing economies, which we believe would mitigate pressures from a severe Italian sovereign stress. Fitch forecasts that UniCredit will maintain profitability above the average of large European banks, supporting strong internal capital generation. This is further underpinned by an asset quality that is close to the European average.

Key Rating Drivers

Diversified, Resilient Financial Profile: The ratings reflect UniCredit's international presence with large operations in strong economies (Germany and Austria), which is a business model strength, and a leading position in Italy. UniCredit's sustainably strong profitability is a rating strength. The ratings also consider that the bank's disciplined risk appetite will mitigate asset quality pressures, and that capital ratios will remain commensurate with risk profile.

Ratings One Notch Above Italy: The group's geographic diversification in well-performing or growing economies and its very strong loss absorption capacity put it in an exceptional position of strength relative to domestic peers. The ratings reflect our expectation that the bank would likely continue servicing its obligations in case of a sovereign default, and that the Italian sovereign is unlikely to impose material restrictions on the bank's debt-servicing capacity.

Sound Operating Environment: UniCredit's operating environment score of 'a-' is one notch above that of other Italian banks, which is capped by the sovereign rating. This assessment reflects the benefits of diversification into higher-rated or well-performing economies. We believe this provides UniCredit with additional growth opportunities and strengthens the bank's credit profile compared with peers.

Pan-European Franchise: UniCredit has a pan-European presence in retail and commercial banking, ranking among the leading banks by total assets in its key markets. The group's credit profile remains influenced by its Italian operations, but its geographic diversification supports through-the-cycle performance. It has consistently met its strategic goals over the past four years, and we expect continued strong execution on 2025-2027 targets. The group has considerable strategic flexibility to either execute acquisitions or accelerate its organic growth.

Disciplined, Diversified Risk Profile: UniCredit's risk appetite is controlled and benefits from conservative oversight and risk-adjusted policies. The risk profile benefits from diversification outside of Italy. Market and interest rate risks are well-managed, including adequate appetite for Italian sovereign bonds (1x common equity Tier 1 [CET1] capital). The bank's remaining presence in Russia, although rapidly shrinking, is a source of potential operational risk losses.

Asset Quality Close to Average: The impaired loans ratio of 2.9% at end-June 2025 is slightly above the European average. The broadly stable ratio over the past years benefitted from resilient economies and government support measures, particularly in Italy. Asset quality will only modestly deteriorate in the next 12-24 months given conservative underwriting and active impaired loan management. Loan loss allowance coverage provides a strong buffer.

Robust Earnings Generation: UniCredit has restored its profitability thanks to extensive restructuring and higher rates. It now has one of the strongest earnings generation and loss absorption capacity among large European banks. This benefits from geographic diversification and a growing share of non-interest income. We forecast its operating profit/risk-weighted assets (RWAs) to remain above 4% until end-2027 driven by resilient revenue, tight cost control, lower than average loan impairment charges/gross loans and material contribution from the equity consolidation of its stakes in Commerzbank AG and Alpha Bank S.A. (BB+/Positive).

Sound but Declining Excess Capital: UniCredit is accelerating the deployment of its excess capital above its 12.5%-13% CET1 ratio target. Fitch expects the CET1 ratio to decline to around 14% by end-2025 (end-June 2025: 16%) as the group will consolidate its increased stakes in Alpha Bank and Commerzbank by 4Q25, consuming about 200 bp. The lower CET1 ratio will be mitigated by an even higher internal capital generation, including positive earnings contribution from these investments.

Diversified Funding, Sound Liquidity: UniCredit has well-established customer deposit franchises in its core markets. The loans/deposits ratio is sound at around 90%. It has strong access to a large investor base through well-diversified funding sources. Liquidity is sound as liquid assets comfortably cover total wholesale funding maturing within 12 months.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

UniCredit's ratings are primarily sensitive to a downgrade of Italy's sovereign rating, as its ratings are capped at one notch above its home country, or to material weakening of the operating environment of its key markets.

The ratings are also sensitive to a material and prolonged weakening of UniCredit's performance, which would make it no longer exceptional relative to domestic peers, and a reduction of its loss-absorption capacity, which would undermine the bank's resilience to a potential stress on the Italian sovereign.

We believe this could result from a material asset quality deterioration following severe economic setbacks in key countries, or by a durable fall in its earnings generation. This could be the case if the impaired loans ratio increases and stays well above 3% on a sustained basis, and operating profit fails to remain above 3% of RWAs. A CET1 ratio below 13% without prospects of a recovery or mitigating factors could also be negative for the ratings. A material increase in the group's risk profile, for instance due to a surge in execution risks, or major strategic setbacks could also lead to negative rating action.

Materially higher exposure to the Italian sovereign, if it was durably and significantly larger than the CET1 capital, would also lead to negative rating action, as this would greatly increase UniCredit's sensitivity to Italian risk in distressed scenarios. Reduced flexibility and capacity to access the wholesale funding markets, if it materially affects liquidity, could also lead to negative rating action.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Rating upside for UniCredit is limited. It would require, in combination, an upgrade of Italy's sovereign rating, a higher assessment of the operating environment for Italian banks and a longer record of outperformance throughout the cycle. In particular, an upgrade would require UniCredit maintaining an operating profit/RWAs comfortably above 4%, further reducing the group's risk profile and keeping significant capital buffers above requirements with a CET1 ratio remaining close to 14%. In addition, a reduction in the impaired loans ratio to levels closer to 2% and reduction of operational risks from its Russian exposure to negligible levels would also likely be necessary for positive rating action.

UniCredit's equity consolidation of its recently acquired 29.9% stake in Commerzbank has no immediate effect on UniCredit's ratings. If a full takeover, which continues to face significant hurdles in Germany, becomes likely to go ahead, Fitch will assess its rating impact with reference to the terms of the deal and the likely implications for UniCredit's credit profile. We believe an acquisition could have positive rating implications for UniCredit over the longer-term if execution risks and the restructuring process are well managed and the combined entity's capital metrics remain sound. A full takeover could improve our assessment of UniCredit's operating environment, business profile and asset quality, and materially reduce its sensitivity to the Italian sovereign and economy. Fitch will, however, also consider the potential impact on capital and client attrition risks linked to such an integration.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The Short-Term IDR of 'F2' is the lower of the two options that map to an 'A-' Long-Term IDR as

UniCredit's funding and liquidity score is below the threshold for a higher Short-Term IDR.

The long-term deposit rating was upgraded by one notch to 'A' from 'A-' mirroring the upgrade of the Long-Term IDR. It is one notch above UniCredit's Long-Term IDR. This reflects full depositor preference in Italy and our expectation that the bank will maintain sufficient buffers of more junior instruments, including senior non-preferred debt, given the need to comply with the minimum requirement for own funds and eligible liabilities (MREL).

The 'F1' short-term deposit rating, which was upgraded from 'F2', is the lower of the two options for an 'A' long-term deposit rating because the funding and liquidity score is not high enough to achieve the higher equivalent short-term rating.

UniCredit's senior preferred debt and Derivative Counterparty Rating (DCR) have been upgraded by one notch to 'A-' and 'A-(DCR)', respectively, following the upgrade of the Long-Term IDR. They are rated in line with its Long-Term IDR because we expect UniCredit to use senior preferred debt to meet its MREL, and the buffer of senior non-preferred and more junior instruments will likely remain slightly below 10% of RWAs (end-June 2025: 8.2%). For the same reasons, UniCredit's senior non-preferred notes are rated one notch below the bank's Long-Term IDR.

The Tier 2 subordinated debt has been upgraded by one notch to 'BBB' from 'BBB-'. It is rated two notches below the VR, which is the baseline notching for these instruments. This is because of loss severity, as we expect recoveries to be poor for this type of debt in case of failure of the bank.

Additional Tier 1 notes were upgraded by one notch to 'BB+' from 'BB'. They are rated four notches below the VR, reflecting Fitch's baseline notching for loss severity (two notches) and incremental non-performance risk (two notches) relative to the anchor. The notching reflects the instruments' fully discretionary interest payment and the bank's comfortable distance to mandatory coupon omission points.

No Government Support

UniCredit's Government Support Rating (GSR) of 'no support' (ns) reflects Fitch's view that although external extraordinary sovereign support is possible, it cannot be relied on. Senior creditors can no longer expect to receive full extraordinary support from the sovereign if the bank becomes non-viable. This is because the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The Short-Term IDR would be downgraded if both the bank's Long-Term IDR is downgraded by more than one notch and our assessment of funding and liquidity was notably lowered. Conversely, the Short-Term IDR would be upgraded if the Long-Term IDR was upgraded or our assessment of funding and liquidity was raised to at least 'a', all else being equal.

UniCredit's senior debt and deposit ratings are sensitive to changes to the Long-Term IDR. In addition, the deposit ratings could be downgraded by one notch, and be aligned with the IDRs, in the event of a reduction in the size of the senior and junior debt buffers that would result in a lower protection to deposits so that these would no longer have a lower probability of default relative to the IDRs; we view this unlikely in light of current and future MREL.

The senior debt ratings could be upgraded if we expect the bank to meet the resolution buffer requirements of the consolidated entity exclusively with senior non-preferred and more junior instruments, or if we expect resolution buffers represented by senior non-preferred and more junior instruments to be at least 10% of RWAs on a sustained basis, neither of which is currently the case nor expected in the future.

Subordinated and additional Tier 1 debt ratings are sensitive to changes to the VR. The ratings of the additional Tier 1 instruments could also be downgraded if non-performance risk rises relative to the risk captured in the VR from a change in capital management or flexibility, or an unexpected shift in regulatory buffers and requirements, for example.

An upward revision of the GSR would be contingent on a positive change in the Italian sovereign's propensity to support the bank. In Fitch's view, this is highly unlikely.

VR ADJUSTMENTS

The operating environment score of 'a-' has been assigned in line with the 'a' implied category score due to the following adjustment reasons: geographical scope (positive), sovereign rating (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
UniCredit S.p.A.	LT IDR	A-	Upgrade		BBB+
	ST IDR	F2	Affirmed		F2
	Viability	a-	Upgrade		bbb+
	DCR	A-(dcr)	Upgrade		BBB+(dcr)
	Government Support	ns	Affirmed		ns
• subordinated	LT	BBB	Upgrade		BBB-
• Senior non-preferred	LT	BBB+	Upgrade		BBB

ENTITY/DEBT	RATING			RECOVERY	PRIOR
• long-term deposits	LT	A	Upgrade		A-
• junior subordinated	LT	BB+	Upgrade		BB
• Senior preferred	LT	A-	Upgrade		BBB+
• Senior preferred	ST	F2	Affirmed		F2
• short-term deposits	ST	F1	Upgrade		F2

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	⊙	◆
STABLE	⊙	

Applicable Criteria

Bank Rating Criteria (pub.21 Mar 2025) (including rating assumption sensitivity)

Additional Disclosures

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Endorsement Status

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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